GOVERNMENT OF INDIA
TEXTILES
LOK SABHA

UNSTARRED QUESTION NO:2366
ANSWERED ON:03.12.2007
COMPETITIVENESS OF TEXTILE INDUSTRY
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Will the Minister of TEXTILES be pleased to state:

(a) whether the Indian Textile Industry is lagging far behind in the Competitive Global Market;

(b) if so, the details thereof and reasons therefor alongwith the reaction of the Government thereto; and

(c) the necessary steps taken/proposed to be taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF TEXTILES (SHRI E.V.K.S. ELANGOVAN)

(a) to (c): As per data generated by the DGCIS, India`s textiles and clothing exports during 2006-07 were of the value of US$ 18729.93 million, as against exports valued at US$ 17520.07 million during the year 2005-06, registering a growth of 6.91%. DGCIS`s latest provisional foreign trade`s statistics indicate that India`s exports in the first quarter of this financial year registered a decline of 14% in US$ terms compared to the corresponding period of the preceding financial year. The textiles industry is attributing this decline mainly to the appreciation of Indian Rupee vis-Ã -vis US Dollar. Government has announced following steps to strengthen and support the textiles industry: -

(i) DEPB rates were enhanced by 3% for 9 sectors including textiles (also handlooms), RMGs and handicrafts. For other items, DEPB rates were enhanced by 2%.

(ii) ECGC premium reduced by 10%.

(iii) Amount of Rs.600 crore released for clearing arrears of CST reimbursement and terminal excise duty.

(iv) Duty drawback rates enhanced by 10-40% of the existing rates.

(v) Subvention on credit rate allowed upto 2%.

(vi) Refund of service tax paid by exporters on services linked to export of goods.

(vii) The Technology Upgradation Fund Scheme (TUFS) has been made operational from 1-4-1999 to facilitate the modernisation and upgradation of the sector. The TUFS has been extended beyond 31.3.2007 and has been modified in consultation with the industry and approval of the Competent Authority w.e.f. 1st November 2007. The Scheme is now in operation. For the speedy modernisation of the textiles processing sector, Government has introduced, w.e.f 20.4.2005, a credit linked capital subsidy scheme @10% under TUFS, in addition to the existing 5% interest reimbursement.

(viii) The fiscal duty structure has been generally rationalised to achieve growth and maximum value addition within the country. Except for mandatory excise duty on man-made filament yarns and man-made staple fibres, the whole value addition chain has been given the option of excise exemption.

(ix) The import of specified textiles and garment machinery has been allowed at a concessional rate of customs duty to encourage investment and to make our textiles product competitive in the global market. The cost of machinery has also been reduced through fiscal policy measures.

(x) The Duty-free import of 21 items of trimmings and embellishment items is allowed to garment exporters. This can be upto 3% of their actual export performance during the previous year.

(xi) In 2004-05 Budget, the entire textile sector, except for man-made fibre and filament yarn was provided optional exemption from excise duty. In 2005-06 Budget, Central Value- added Tax (CENVAT) on Polyester Filament Yarn has been reduced from 24% to 16%. These modifications in fiscal levies aim at attracting more investments for modernization of textile sector.

(xii) To facilitate import of state of the art machinery to make our products internationally competitive in post quota regime, in 2005-06 Budget, the customs duty on textile machinery has been brought down to 10% except 23 machinery appearing in List 49 which attracts

Basic Customs Duty (BCD) of 15%.